Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by	)	
Qwest Communications International, Inc.	)	
for Authorization to Provide	)	WC Docket No. 02-189
In-Region, InterLATA Services	)	
in the States of Montana,	)	
Utah, Washington, and Wyoming	)	
	)	

DECLARATION OF CHRIS FRENTRUP
ON BEHALF OF WORLDCOM, INC.

Based on my personal knowledge and on information learned in the course of my duties, I, Chris Frentrup, declare as follows:

I. INTRODUCTION AND SUMMARY

1. My name is Chris Frentrup. I am employed by WorldCom, Inc. ("WorldCom") as a Senior Economist in the Public Policy Analysis Group of the Federal Advocacy organization. In that position, I am responsible for analyzing economic issues relating to telecommunications industry regulation and public policy, and assisting in the development and advocacy of WorldCom's public policy positions. I have filed declarations in review of several previous Bell company section 271 applications. I have also participated in the development and advocacy of the HAI Model, a model used in the estimation of telecommunications network costs.

2. This Declaration comments on the benchmarking methodology Qwest uses to support its recurring unbundled network element (UNE) rates in Montana, Utah,

Washington, and Wyoming. This methodology fails to accurately reflect the relative minutes of usage in these states. This error results in inflated UNE rates - switch usage rates are overstated by 9.1 percent in Montana, 1.1 percent in Utah, and 12.8 percent in Washington.

II. BACKGROUND

3. Qwest's recurring UNE rates for the four states in question were set in separate cost proceedings. However, as in its previous section 271 application, Qwest has reduced some of its UNE rates in every state in which the rates exceed a benchmark based on the Colorado rates.[1]

4. To compute the benchmark for the loop rates in Montana, Utah, Washington, and Wyoming, Qwest multiplies the statewide average UNE loop rate adopted in Colorado by the ratio of Colorado loop cost to the state's loop cost, as those costs are determined by the Commission's Synthesis Model (SM).[2] To derive the rate for the different zones in the states, Qwest multiplies the ratio of this revised statewide average rate to the originally approved statewide average rate by the rates for the individual zones.

5. Qwest performs a similar operation to derive a new switch usage rate. First, Qwest derives the ratio of each state's total non-loop costs to Colorado non-loop costs, as determined by the modified SM. It then multiplies that ratio by the total non-loop rate for Colorado to determine each state's allowed total non-loop rate.[3] If that allowed rate is less than

1 In general, Qwest has reduced loop, switch usage, and, in some cases, transport rates. However, in the state filings implementing these proposed reductions, Qwest has also proposed other new charges or increased existing charges on competitive local exchange carriers (CLECs), so the net effect of all the increases and decreases on charges to CLECs is unclear. This declaration examines only the effect of changes in the loop, switching, and transport rates.
2 The SM was developed by the Commission to determine universal service costs. To determine UNE costs, modifications to the SM are needed to remove retail overheads, and to spread the remaining wholesale overhead costs among all elements. The SM as modified in this manner has previously been used by the Commission to perform its benchmark analysis.
3 The total non-loop rate was computed as one port charge, plus the switch usage rate applied to a basket of 1200

the state's approved non-loop rates Qwest sets the shared transport rate to the lesser of the state-approved rate or the Colorado rate, retains the state's port rate, and adjusts the switch usage rate so that the new rates in total equate to the allowed total non-loop rate.

III. QWEST'S BENCHMARK DEMAND LEVELS ARE INCONSISTENT WITH COMMISION PRECEDENT

6. The computation of the non-loop benchmark requires the combination of several rate elements that have different demand units. In its computation of an overall non-loop rate, Qwest includes a per-line per month port charge, a per minute switch usage charge, and a per minute shared transport rate, that is itself a combination of a tandem switch charge and a transport charge. Qwest assumes the same level of minutes in all states to compute a monthly per line non-loop charge.[4]

7. Use of a constant set of demand in all states is inconsistent with the methodology used by the Commission in prior benchmark analyses. For example, in its most recent 271 decision, the Commission used state specific demand data in New York and New Jersey to perform its benchmark analysis.[5] While the Commission stated that standardized demand assumptions might be reasonable, the only reason given by the Commission that would permit use of standard assumptions is the absence of state-specific demand data.[6]

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originating and 1200 terminating local minutes and 370 combined state and interstate long distance minutes, plus the shared transport rate applied to that same basket of minutes. Qwest makes assumptions about how much of its local traffic is intraoffice, and how much of its traffic is tandem transport to determine the exact number of minutes to which its rates apply. These assumptions are given in detail in the Declarations of Jerrold L. Thompson included in Qwest's 271 application.

4 Specifically, Qwest assumes 1200 originating and termininating local minutes, and 370 toll and access minutes. Twenty five percent of local minutes are assumed to be intraoffice, and 20 percent of toll minutes are assumed to be tandem routed.

5 See NJ 271 Order at ¶ 53.

6 Id.

8. State-specific demand data are available for all of the states in this application.[7] Data on dial equipment minutes (DEM) are available from the ARMIS 43-04 report.[8] Data on retail switched access lines are available in the ARMIS 43-08 report. In its application, Qwest provides the number of resale, UNE-platform and unbundled loop lines it provides to resellers in each of the four states in question.[9] These data are presented in Table 1, attached.

9. As seen in Table 1, the minutes of use per line varies substantially across the states, with Colorado having fewer minutes than any state except Wyoming.[10] Montana, Utah, and Washington have substantially higher minutes per line than Colorado. Substituting the state specific minutes per line into Qwest's computation of the benchmark rates results in a 9.1 percent reduction in the switch usage rate for Montana, a 1.1 percent reduction in Utah, and a 12.8 percent reduction in Washington.[11]

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7 Qwest claims that it "does not have studies that support state-specific data that delineate the numbers or percentages of originating and terminating intraLATA toll, intrastate interLATA, and interstate interLATA minutes per line per month, broken down on an intra-switch, inter-switch, and tandem routed basis." Qwest Brief at p. 164, n. 79. In fact, the ARMIS data used herein is broken out into local, state toll, and interstate toll. For the purpose of the benchmark analysis, the only additional disaggregation that is necessary is the split between originating and terminating local minutes, the percent of local minutes that are intraoffice, and the percent of toll minutes (state and interstate combined) that are tandem routed. Qwest's benchmark computation makes some standard assumptions regarding these items, and it is reasonable to apply those assumptions to the state specific demand data as well.

8 The DEM data are reported in row 1216. Total state data are reported in column c, and interstate data are reported in column d. The state data can be split into local and toll minutes based on data filed by the National Exchange Carrier Association for the year 2000, the latest year for which such data are available. Those data are contained in the file NETWU00.ZIP, which can be downloaded at http://www.fcc.gov/wcb/iatd/neca.html.

9 See Qwest Brief at 17. There is a slight mismatch in the time periods for these two sets of data. The DEM data are reported for calendar 2001. The switched access line data in ARMIS 43-08 are reported as of year end. To correct for this mismatch, the line data used in this analysis employs an average of the data reported for year end 2000 and 2001. However, the CLEC line data reported by Qwest in its brief are line counts as of April 30, 2002. Since lines are likely to have grown over time, this would imply that the minutes of use per line are probably slightly understated. However, this understatement will alter the analysis presented here only to the extent that the CLEC lines were growing at a different rate in the individual states.

10 This analysis reflects the fact that Qwest's reporting of DEM minutes includes only those CLEC minutes provided over resale and UNE-P lines, while resale lines are already included in the ARMIS line counts. Thus, the minutes per line data included here is DEM reported in ARMIS divided by ARMIS lines plus UNE-P lines.

11 The Excel workbooks that compute the switch usage rates for each state can be downloaded from http://www.qwest.com/about/policy/ldReentry/Fed271/month4s/declarations/Dec_CostAnalysis.html. Each state's

10. In *ex parte* letters filed in support of its first section 271 application, Qwest made several arguments against using state-specific data.[12] First, although it acknowledges that it possesses state-specific minutes of use per line by state, it claims that it does not possess studies that would show state-specific data on the splits between interoffice and intraoffice calls, between originating and terminating calls, or between tandem and direct routed calls, all of which are necessary to perform the benchmark analysis.[13] Qwest does not explain why it would be improper to use the state-specific minutes described above in conjunction with the Commission's standard assumptions on these items. Use of the state-specific minutes with the standard mix assumptions will better reflect the different market conditions in the states than will the use of the same set of minutes in all the states.

11. Qwest also claims that using the standard assumptions for all states will allow it to simplify its multi-state applications.[14] However, developing the state-specific minutes of use in the manner described above is a straightforward process that is not burdensome. Finally, Qwest claims that use of state-specific minutes does not systematically result in higher rates – some states will be allowed higher rates under the state-specific minutes of use, and some will be allowed higher rates using the standard assumptions.[15] In fact, Qwest claims, using state-specific minutes-of-use from 2001 rather than the standard assumptions would result in a lower

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workbook can be found at the link on that page titled JLT-2-sc, where "sc" is the state code for each state – MT, UT, WA, and WY. The relevant spreadsheet within those workbooks is titled "sc Switching." The minutes per line data from Table 1 can be entered in those workbooks on lines 1a, 2a, and 3a for Colorado, and on lines 1b, 2b, and 3b for the other states. Once these changes are made, the workbook recomputes the allowed switch usage rate. The rate should be cut to $0.002656 in Montana, $0.001677 in Utah, and $0.001046 in Washington to meet the benchmark test.

12 See Letter from David Sieradzki, Hogan & Hartson, to Marlene H. Dortch, Secretary, FCC, July 22, 2002, WC Docket No. 02-148, ("July 22 *ex parte*"), Attachment at 3-6.

13 See July 22 *ex parte*, Attachment at 3.

14 See July 22 *ex parte*, Attachment at 4.

15 See July 22 *ex parte,* Attachment at 4-5.

benchmark in only 7 of the 13 states in which it has used or plans to use the benchmark methodology. Even if this were correct, it would be irrelevant. The relevant question is whether state-specific minutes more accurately reflect the costs that will be incurred by purchasers of UNEs. As the Commission has already stated, the demand of the average customer is "the single most informed estimate" of potential CLEC demand.[16]

12. In addition, the Commission should not refrain from combining state-specific minutes with standard assumptions on traffic mixes. Those standard assumptions on traffic mixes were based on industry-wide data, and thus reflect the best estimate of the mixes that could be expected in any state. If they are accurate enough to be used for an assumed level of usage – which Qwest apparently believes they were - they should also be accurate enough to be used with a known level of usage. To ignore a known difference in the minutes of use per line between the states because all the other data for the states is not also known is to ignore a state-specific difference that has a demonstrable effect on the rate that would be allowed by the benchmark methodology. In any case, Qwest is always free to rebut the assumed mixes by providing state-specific data of its own.

13. In sum, for the four states in question here, use of state-specific minutes of use results in significant reductions in the switch usage rates for Montana, Utah, and Washigton, as described above, while allowing only a *de minimis* increase in Wyoming. Qwest's implicit claim that use of the standard assumptions throughout its region would result in roughly the same rates overall is simply incorrect.

V. CONCLUSION

16 See NJ 271 Order at ¶ 54.

14. Recognizing that its rates in Montana, Utah, Washington, and Wyoming were well in excess of the Colorado rates, even after adjusting for cost differences among the states, Qwest has correctly lowered its rates in those states. However, the methodology Qwest used to lower its rates still results in recurring rates that are too high. The Commission should reject Qwest's section 271 application until Qwest lowers its rates to reflect the state-specific demand characteristics previously used by the Commission for its benchmark analyses.

15. This concludes my Declaration on behalf of WorldCom.

I declare under penalty of perjury that the foregoing is true and correct. Executed on August 1, 2002.

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Chris Frentrup

TABLE 1

	2001 DEM			2001 Avg Lines			2001 DEM per Line				
	Total	State	Interstate		UNE-P lines	Total Lines	Local	LD	State	Interstate	Total
CO	75,679	63,489	12,190	2,815,265	79,406	2,894,671	1,742	86	1,828	351	2,179
MT	11,236	9,458	1,778	384,413	3,702	388,115	1,890	141	2,031	382	2,413
UT	31,002	26,514	4,488	1,126,782	19,937	1,146,719	1,815	112	1,927	326	2,253
WA	78,013	68,251	9,762	2,553,039	47,961	2,601,000	2,046	141	2,187	313	2,499
WY	7,253	5,439	1,813	263,449	27,024	290,473	1,432	129	1,560	520	2,081

Sources: 2001 DEM are from ARMIS 43-04, row 1216
2001 Avg Lines are the average of 2000 and 2001 Total Switched Access Lines from ARMIS 43-08
UNE-P line counts for CO are from Qwest I Brief, Page 19
UNE-P line counts for MT, UT, WA, and WY are from Qwest II Brief, Page 17

	2000 State DEM			
	LD	Local	% LD	% Local
CO	3,004,270	60,658,451	0.04719	0.95281
MT	656,751	8,826,881	0.06925	0.93075
UT	1,541,891	25,045,214	0.05799	0.94201
WA	4,415,494	64,022,607	0.06452	0.93548
WY	449,474	5,004,778	0.08241	0.91759

Source: NECA data for 2000